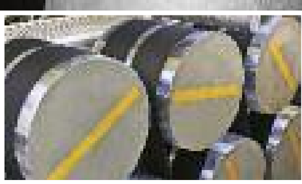
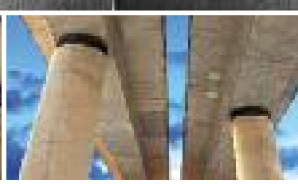
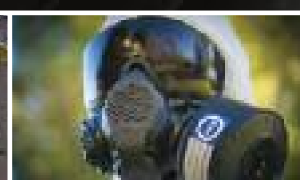
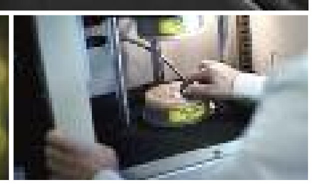








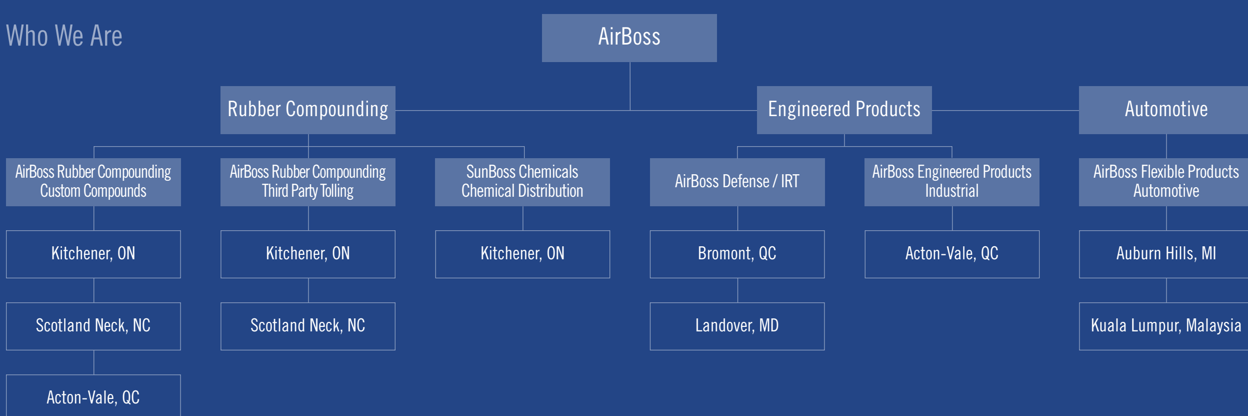
AIRBOSS OF AMERICA CORP.
2016 SECOND QUARTER INTERIM REPORT

2016

TRANSFORMING RUBBER INTO VALUE.

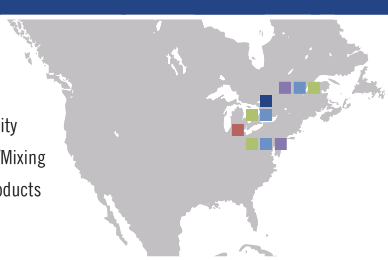
As one of North America's largest custom compounding companies, AirBoss of America Corp. manufactures customized rubber-based formulations and products used by many industries, including automotive, heavy industry, construction and infrastructure, oil and gas and first-response and military. With a capacity to supply 250 million pounds of rubber annually, we are a primary supplier to a diverse group of rubber-products manufacturers. A growing part of our business is in finished products, where our proprietary rubber formulations and designs are applied to provide solutions to our customer's problems — such as anti-vibration and noise-dampening solutions for the automotive industry, and the protection of military forces in hazardous conditions. Our common shares (BOS) trade on the Toronto Stock Exchange.

Who We Are



Locations

- Head Office
- Research Facility
- Compounding/Mixing
- Engineered Products
- Automotive



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To Our Shareholders

Q2 2016 versus Q2 2015

- Declares quarterly dividend of C$0.065 per common share
- Diluted EPS of $0.21, diluted Adjusted EPS of $0.22
- EBITDA up 51.1% to $8.8 million due to large share-based compensation expense in Q2 2015
- Adjusted EBITDA decreased 9.2% to $9.0 million
- Operational efficiency and expense control initiatives continue to have positive impact

Overview

For the second quarter, our consolidated net sales were $9.5 million, or 12.4%, lower than in Q2 2015, with increased sales at Automotive more than offset by decreases in sales at Rubber Compounding and Engineered Products. The decrease in sales reflects continued weakness in demand from certain segments of our customer base in both divisions that are experiencing challenging industry conditions, as well as a decrease in raw material prices at Rubber Compounding (where savings are passed along to the customer). Notwithstanding the decline in net sales, Diluted Adjusted EPS was only $0.01 per share lower than in 2015, primarily as a result of a significant decrease in share-based compensation expenses for the quarter in 2016 versus the same period in 2015 and a one-time adjustment to income taxes.

Despite lower net sales, financial performance in the quarter demonstrated the positive impact on profitability of the Company's focus on operational efficiency and cost reduction initiatives. Consolidated gross profit margin improved on a year-over-year basis, increasing to 19.4% from 18.7% for the same period in 2015. While Adjusted EBITDA (which adjusts for share-based compensation expenses) decreased by $0.9 million from the same period in 2015, Adjusted EBITDA as a percentage of net sales increased to 13.4% from 12.9%.

Rubber Compounding

At Rubber Compounding, gross profit decreased to $4.6 million for the quarter largely as a result of a $10.2 million decrease in net sales, which was driven by an 11% decrease in raw material prices (where savings are passed along to the customer) and by a 35.1% decrease in volume (measured in pounds shipped) from the same period in 2015. Volume was negatively impacted by continued softness in conveyor belts and mining segments and a large decrease in tolling volumes. However, as a percentage of net sales, gross profit increased to 24% (from 21.1% in 2015) as a result of improved product and customer mix and our cost reduction initiatives, including productivity improvements.

Automotive

Net sales at Automotive increased by 2.2% over Q2 2015, to $36.8 million, reflecting increased demand primarily in the dampers, bushings and induction bonding product segments. Gross profit increased at Automotive to $6.2 million (representing 16.9% of net sales), a 7% increase over the $5.8 million (16.1% of sales) for the same period in 2015, due to increased sales and continued focus on cost reduction strategies and production efficiencies.

Engineered Products

At Engineered Products, net sales were down slightly (0.9%) in the second quarter compared to the same period in 2015. An increase in net sales in the industrial products business was offset by a $0.7 decrease in net sales in the defense business, which came as a result of the completion in 2015 of a contract in the overboot segment and lower sales of the Extreme Cold Weather boots offsetting the additional sales included as a result of the acquisition of Immediate Response Technologies, LLC in Q3 2015.

To Our Shareholders

Outlook

Year-to-date results reflect the positive contribution of our operational improvements to financial performance, even as the Company continues to experience reduced demand from certain market segments at Rubber Compounding and Engineered Products. In particular, product mix improvements and cost reduction initiatives implemented at Rubber Compounding have resulted in improved profitability for the division over a period during which volume (expressed as pounds shipped) has decreased significantly.

For the remainder of the year, we anticipate performance at Automotive to be similar to that experienced year-to-date. At Rubber Compounding there is a solid pipeline of new customers expected to move from the trial stage to commercialization in the second half of the year. We expect the challenging conditions experienced by customers in the conveyor belt, mining and industrial market segments in that division and in the industrial products business of Engineered Products to persist into the second half of 2016. Within our defense business, we have started to make deliveries of our AMG gloves to the US Department of Defense and will deliver at an accelerated volume throughout the remainder of the year, however the timing of several future global tenders remains uncertain. Despite these headwinds, our disciplined approach to managing operations and our continuous improvement initiatives have driven, and will continue to drive, improved operational profitability across the Company. With a healthy balance sheet and the anticipated benefits from management's on-going efforts to expand and diversify its product lines, customer base and target market segments, AirBoss will be in an excellent position to serve its customers and to take advantage of growth opportunities as they arise as well as any recovery in demand from those markets and customers currently under pressure.

P.G. Schoch
Chairman and CEO

Lisa Swartzman
President

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of AirBoss of America Corp. ("AirBoss" or the "Company") has been prepared as of August 9, 2016 and should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements and Notes for the three month and six month periods ended June 30, 2016 and the MD&A and Audited Consolidated Financial Statements and Notes for the year ended December 31, 2015. The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The Audit Committee and Board of Directors have reviewed and approved the contents of this MD&A, the Financial Statements and the second quarter press release. All dollar amounts are shown in thousands of US dollars, except per share amounts, unless otherwise specified. Additional information regarding the Company, including its Annual Information Form, can be found on SEDAR at **www.sedar.com** and on the Company's website at **www.airbossofamerica.com**.

FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated by reference herein, including those that express management's expectations or estimates of future developments or AirBoss' future performance, constitute "forward-looking statements" within the meaning of applicable securities laws, and can generally be identified by words such as "will", "may", "could" "expects", "believes", "anticipates", "forecasts", "plans", "intends" or similar expressions. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events and performance.

Forward-looking statements are necessarily based upon a number of opinions, estimates and assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies. AirBoss cautions that such forward-looking statements involve known and unknown contingencies, uncertainties and other risks that may cause AirBoss' actual financial results, performance or achievements to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation: impact of general economic conditions; its dependence on key customers; cyclical trends in the tire and automotive, construction, mining and retail industries; sufficient availability of raw materials at economical costs; weather conditions affecting raw materials, production and sales; AirBoss' ability to maintain existing customers or develop new customers in light of increased competition; AirBoss' ability to successfully integrate acquisitions of other businesses and/or companies or to realize on the anticipated benefits thereof; changes in accounting policies and methods, including uncertainties associated with critical accounting assumptions and estimates; changes in the value of the Canadian dollar relative to the US dollar; changes in tax laws and potential litigation; ability to obtain financing on acceptable terms; environmental damage caused by it and non-compliance with environmental laws and regulations; potential product liability and warranty claims and equipment malfunction. This list is not exhaustive of the factors that may affect any of AirBoss' forward-looking statements.

All of the forward-looking information in this Quarterly Report is expressly qualified by these cautionary statements. Investors are cautioned not to put undue reliance on forward-looking statements. All subsequent written and oral forward-looking statements attributable to AirBoss or persons acting on its behalf are expressly qualified in their entirety by this notice. Forward-looking information contained herein is made as of the date of this Quarterly Report and, whether as a result of new information, future events or otherwise, AirBoss disclaims any intent or obligation to update publicly these forward-looking statements except as required by applicable laws. Risks and uncertainties about AirBoss' business are more fully discussed under the heading "Risk Factors" in our most recent Annual Information Form and are otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com.

Q2 2016 versus Q2 2015 Highlights

(In US dollars)

- Declares quarterly dividend of C$0.065 per common share
- Diluted EPS of $0.21, diluted Adjusted EPS of $0.22
- EBITDA up 51.1% to $8.8 million due to large share-based compensation expense in Q2 2015
- Adjusted EBITDA decreased 9.2% to $9.0 million
- Operational efficiency and expense control initiatives continue to have positive impact

Selected Financial Information

In thousands of US dollars, except share data

	Three months ended June 30 (unaudited)		Six months ended June 30 (unaudited)	
	2016	2015	**2016**	2015
Financial results:				
Net sales	**67,455**	76,964	**137,922**	153,820
Net income	**4,965**	2,378	**9,306**	5,558
Net income per share (US$)				
– Basic	**0.22**	0.10	**0.40**	0.24
– Diluted	**0.21**	0.10	**0.39**	0.24
Adjusted EPS[1] (US$)				
– Basic	**0.22**	0.24	**0.42**	0.44
– Diluted	**0.22**	0.23	**0.41**	0.43
EBITDA[1]	**8,827**	5,843	**18,057**	12,901
Adjusted EBITDA [1]	**9,029**	9,942	**18,516**	18,920
Net cash provided by operating activities	**13,424**	15,634	**12,493**	9,749
Dividends declared per share (C$)	**0.065**	0.06	**0.125**	0.12
Capital expenditures	**494**	1,868	**3,191**	3,094
Financial position:	**June 30, 2016**			December 31, 2015
Total assets	**217,332**			217,739
Term loan and other debt	**75,248**			76,922
Shareholders' equity	**106,825**			99,534
Outstanding shares (#)	***23,074,183**			23,021,850
** at August 9, 2016*				

[1]Non-IFRS Financial Measures

This MD&A is based on reported income in accordance with International Financial Reporting Standards ("IFRS") and on the following non-IFRS financial measures:

EBITDA	Earnings before interest income, interest expense, income taxes and depreciation and amortization
Adjusted EBITDA	Earnings before interest income, interest expense, income taxes, depreciation and amortization, and share-based compensation expenses
Adjusted EPS	Net income per share before deduction of share-based compensation expenses and related tax effect

EBITDA, Adjusted EBITDA and Adjusted EPS are non-IFRS financial measures directly derived from the consolidated financial statements but do not have a standardized meaning prescribed by IFRS and are not necessarily comparable to a similar measure presented by other issuers.

The Company discloses EBITDA, a financial measurement used by interested parties and investors to monitor the ability of an issuer to generate cash from operations for debt service, financing working capital and capital expenditures and paying dividends. EBITDA is not a measure of performance under IFRS and should not be considered in isolation or as a substitute for net income under IFRS.

A reconciliation of net income to EBITDA and Adjusted EBITDA is presented below:

	Three months ended June 30 (unaudited)		Six months ended June 30 (unaudited)	
In thousands of US dollars	**2016**	2015	**2016**	2015
EBITDA:				
Net Income	**4,965**	2,378	**9,306**	5,558
Finance costs	**633**	406	**1,507**	916
Depreciation and amortization of intangible assets	**2,536**	2,130	**5,111**	4,299
Income tax expense	**693**	929	**2,133**	2,128
EBITDA	**8,827**	5,843	**18,057**	12,901
Add back:				
Share-based compensation	**202**	4,099	**459**	6,019
Adjusted EBITDA	**9,029**	9,942	**18,516**	18,920

RESULTS OF OPERATIONS – 2016 compared to three and six month periods ended 2015 (cont'd)

NET SALES

For the three and six month periods ended June 30, 2016, consolidated net sales decreased by 12.4% and 10.3%, respectively. Increased sales experienced in the Automotive segment were more than offset by decreases in the Rubber Compounding and Engineered Products segments. The decrease in the Rubber Compounding segment primarily reflects the drop in raw material prices, where savings are passed on to customers.

Three months ended June 30 *In thousands of US dollars*		Rubber Compounding	Engineered Products	Automotive	Total
Net Sales	**2016**	**19,228**	**11,419**	**36,808**	**67,455**
	2015	29,426	11,527	36,011	76,964
Increase (decrease) $		(10,198)	(108)	797	(9,509)
Increase (decrease) %		(34.7)	(0.9)	2.2	(12.4)

Six months ended June 30 *In thousands of US dollars*		Rubber Compounding	Engineered Products	Automotive	Total
Net Sales	**2016**	**41,478**	**22,552**	**73,892**	**137,922**
	2015	61,333	22,669	69,818	153,820
Increase (decrease) $		(19,855)	(117)	4,074	(15,898)
Increase (decrease) %		(32.4)	(0.5)	5.8	(10.3)

Rubber Compounding

For the three month period ended June 30, 2016, net sales for the Rubber Compounding segment dropped 34.7% to $19,228 from $29,426 in the same period of the prior year.

Net sales for the six month period ended June 30, 2016 decreased 32.4% to $41,478 from $61,333 as compared to the same period in the prior year.

For both the three and six month periods ended June 30, 2016, the drop in net sales were partly due to decreases in raw material prices, where the savings were passed on to customers. Raw material prices were down 11% and 13% for the three month and six month periods ended June 30, 2016, respectively, over these same periods last year.

For the three and six month periods ended June 30, 2016, tolling volumes for Rubber Compounding were down 62% and 18%, respectively, compared to the similar periods in the prior year. Tolling rates were 59% and 23% higher for the three month and six month periods ended June 30, 2016, respectively, compared to 2015. Volume for non-tolling portion of the business continue to be challenged particularly in the conveyor belts and mining segments of the business.

Engineered Products

Net sales in the Engineered Products segment for the three and six month periods ended June 30, 2016 were down slightly when compared to the same periods in 2015. The Engineered Products segment is comprised of the industrial products and defense businesses.

For the three month period ended June 30, 2016, the increase in net sales in the industrial products business was more than offset by decreases in the defense business. The defense business was down $654 compared to the same period last year due to a drop in sales activity following the completion of a 2015 contract in the boot segment and lower sales of Extreme Cold Weather ("ECW") boots. These decreases were partly offset by the inclusion of the net sales from Immediate Response Technologies, LLC ("IRT") which was purchased in the third quarter of 2015. The net sales of the industrial business increased $545 in the three month period ended June 30, 2016 with improvement in all of its key segments.

For the six month period ended June 30, 2016, net sales were $117 lower than the comparable period in 2015. The defense business was relatively flat, down $15 and the industrial business was down $102 over the same period in 2015.

Automotive

Net Sales in the Automotive segment for the three month period ended June 30, 2016 increased 2.2% to $36,808 from $36,011 in the same period last year. The increase was principally due to increased sales in bushings and dampers.

For the six month period ended June 30, 2016, net sales increased 5.8% to $73,892 from $69,818 in the same period of the prior year. The increases were accomplished across the majority of the Automotive's product segments and across all manufacturers. The growth was mostly in the bushings, dampers and induction bonding segments resulting from an increased demand in the light truck sector. In addition, overall improved customer penetration improved across the sale of a broader product mix.

RESULTS OF OPERATIONS – 2016 compared to three and six month periods ended 2015 (cont'd)

GROSS PROFIT

Consolidated gross profit for the three month period ended June 30, 2016 was $13,073 (2015: $14,385), a decrease of $1,312 compared to the same period in 2015. The decrease was principally due to lower net sales in the Rubber Compounding and Engineered Products segments and partly offset by continued efforts on operational improvements and increased net sales in the Automotive segment. As a percentage of net sales, gross margin increased to 19.4% from 18.7% in 2015.

Three months ended June 30 *In thousands of US dollars*		Rubber Compounding	Engineered Products	Automotive	Total
Gross Profit	**2016**	**4,618**	**2,242**	**6,213**	**13,073**
	2015	6,213	2,367	5,805	14,385
Increase (decrease) $		(1,595)	(125)	408	(1,312)
% of net sales	**2016**	**24.0**	**19.6**	**16.9**	**19.4**
	2015	21.1	20.5	16.1	18.7

Six months ended June 30 *In thousands of US dollars*		Rubber Compounding	Engineered Products	Automotive	Total
Gross Profit	**2016**	**9,902**	**3,983**	**12,352**	**26,237**
	2015	11,197	4,481	11,188	26,866
Increase (decrease) $		(1,295)	(498)	1,164	(629)
% of net sales	**2016**	**23.9**	**17.7**	**16.7**	**19.0**
	2015	18.3	19.8	16.0	17.5

Rubber Compounding

For the three and six month periods ended June 30, 2016, gross profit in the Rubber Compounding segment decreased $1,595 to $4,618 and $1,295 to $9,902, respectively, as compared to the same periods in 2015. The decreases were largely due to the net sales shortfall discussed above.

Notwithstanding the net sales shortfall, gross profit as a percentage of net sales improved to 24.0% for the three month period ended June 30, 2016 compared to 21.1% in 2015. For the six month period ended June 30,2016, the gross profit improved to 23.9% from 18.3% compared to same period last year.

For both the quarter and year-to-date periods at June 30, 2016, the improved gross profit percentage are reflective of managements' continued focus on improving product mix, cost reduction initiatives, including productivity improvements and increased control over raw material purchases.

Engineered Products

Gross profit in the Engineered Products segment for the three month period ended June 30, 2016 was $2,242 (19.6% of sales) down $125 from $2,367 (20.5% of net sales) for the comparable period last year.

For the six month period ended June 30, 2016, gross profit was $3,983 (17.7% of net sales) down $498 from $4,481 (19.8% of net sales) for the comparable period last year.

For both the three and six month periods ended June 30, 2016, the drop in gross profit reflects the decrease in net sales described above. In addition, certain labour inefficiencies related to defense production being transferred to Acton Vale from Vermont further dampened gross profits. Management is currently addressing these labour inefficiencies and expects production to return to more efficient levels in the second half of the year.

Automotive

Gross profit in the Automotive segment for the three month period ended June 30, 2016 improved 7.0%, or $408, to $6,213 (16.9% of net sales) compared to the same period last year of $5,805 (16.1% of sales). The improvement was driven by higher sales and managements' commitment to continuous operational improvement initiatives resulting in reduced overtime hours.

For the six month period ended June 30, 2016, gross profit improved 10.4%, or $1,164 to $12,352 (16.7% of net sales) as compared to $11,188 (16% of net sales) in the same period last year.

RESULTS OF OPERATIONS – 2016 compared to three and six month periods ended 2015 (cont'd)

OPERATING EXPENSES

Operating expenses for the three and six month periods ended June 30, 2016 decreased by $3,890 and $4,973 over the comparable periods in 2015 to $6,782 and $13,291, respectively. The decreases in the comparable periods ended June 30, 2016 were significantly due to the lower share-based compensation expense compared to 2015.

Three months ended June 30 *In thousands of US dollars*		Rubber Compounding	Engineered Products	Automotive	Unallocated Corporate Costs	Total
Operating Expenses	**2016**	**1,426**	**2,479**	**2,014**	**863**	**6,782**
	2015	1,558	1,590	2,262	5,262	10,672
Increase (decrease) $		(132)	889	(248)	(4,399)	(3,890)
% of net sales	**2016**	**7.4**	**21.7**	**5.5**	**N/A**	**10.1**
	2015	5.3	13.8	6.3	N/A	13.9

Six months ended June 30 *In thousands of US dollars*		Rubber Compounding	Engineered Products	Automotive	Unallocated Corporate Costs	Total
Operating Expenses	**2016**	**2,883**	**4,929**	**4,349**	**1,130**	**13,291**
	2015	3,525	3,156	4,490	7,093	18,264
Increase (decrease) $		(642)	1,773	(141)	(5,963)	(4,973)
% of net sales	**2016**	**7.0**	**21.9**	**5.9**	**N/A**	**9.6**
	2015	5.7	13.9	6.4	N/A	11.9

Rubber Compounding

For both the three month and six month periods ended June 30, 2016, operating expenses in the Rubber Compounding segment decreased $132 and $642, respectively, compared to the same periods in 2015. These decreased costs were principally due to lower compensation and recruiting costs.

Engineered Products

For the three and six month periods ended June 30, 2016, operating expenses in the Engineered Products division increased $889 and $1,773, respectively, reflecting the addition of IRT's expenses. IRT was purchased in the third quarter of 2015 and for the three and six month periods ended June 30, 2016, it had operating expenses of $1,085 and $2,282, respectively. This increase was partly offset by lower compensation, professional fees and discretionary spending.

Automotive

Operating expenses for the three and six month periods ended June 30, 2016 decreased in the Automotive segments by $248 and $141 over the comparable periods in 2015 from $2,262 and $4,490, respectively. These decreases were mainly attributable to improved collections.

Unallocated Corporate Costs

For the three and six month periods, unallocated corporate costs decreased by $4,399 and $5,963, respectively, compared to the similar periods in 2015. The decrease in both comparative periods was significantly due to the lower share-based compensation expense of $3,897 for the quarter and $5,560 for year-to-date period ended June 30, 2016.

FINANCE COST

Three months ended June 30 *In thousands of US dollars*		Rubber Compounding	Engineered Products	Automotive	Corporate Costs	Total
Finance cost	**2016**	**1,201**	**2**	**-**	**(570)**	**633**
	2015	682	(6)	-	(270)	406
Increase (decrease) $		519	8	-	(300)	227
% of net sales	**2016**	**6.2**	**0.0**	**0.0**	**N/A**	**0.9**
	2015	2.3	0.0	0.0	N/A	0.5

Six months ended June 30 *In thousands of US dollars*		Rubber Compounding	Engineered Products	Automotive	Corporate Costs	Total
Finance cost	**2016**	**2,350**	**6**	**-**	**(849)**	**1,507**
	2015	1,360	(2)	-	(442)	916
Increase (decrease) $		990	8	-	(407)	591
% of net sales	**2016**	**5.7**	**0.0**	**0.0**	**N/A**	**1.1**
	2015	2.2	0.0	0.0	N/A	0.6

Finance costs in Q2 2016 were $633 for the quarter (2015: $406) and year-to-date $1,507 (2015: $916), and were impacted by increased borrowing levels to finance the acquisition of IRT in the third quarter of 2015.

RESULTS OF OPERATIONS – 2016 compared to three and six month periods ended 2015 (cont'd)

INCOME TAX EXPENSE

The Company recorded an income tax expense of $693 in the three month period ended June 30, 2016 (2015: $929) or an effective income tax rate of 12.2% (28.1% in 2015). All tax losses in the US have now been utilized allowing the Company to be eligible for a reduced rate as a manufacturer in the US. This resulted in a one-time rate adjustment in the second quarter of 2016 and year-to-date of $337 or a reduction to the effective rate in the quarter of approximately 6%.

The Company and its affiliates conduct business in the US and in Canada. Each jurisdiction is subject to different tax rates and the Company's effective tax rate varies depending on the mix and volume of business in each jurisdiction, as well as the impact of incentives, effect of permanent differences and the resolution of prior period tax assessments.

NET INCOME AND EARNINGS PER SHARE

Net income in 2016 totaled $4,965 and $9,306 for the three and six month periods ended June 30, 2016 compared to $2,378 and $5,558 in 2015, respectively. The increase is primarily attributable to lower share-based compensation expense, operational cost improvement initiatives, lower income tax expenses that were partly offset by a decrease in consolidated net sales. The basic and fully diluted net earnings per share in the second quarter and year-to-date were $0.22 and $0.40 (2015 - $0.10 and $0.24) and $0.21 and $0.39 (2015 - $0.10 and $0.24), based on basic and fully diluted shares outstanding of 23,067,141 (2015 – 22,998,760) and 23,562,116 (2015 - 23,541,793), for the quarter and 23,048,747 (2015: 22,999,760) and 23,574,099 (2015: 23,494,529) for the year-to-date period ended June 30, 2016, respectively.

QUARTERLY INFORMATION

In thousands of US dollars Quarter Ended	Net Sales	Net Income	Net Income per share Basic	 Diluted
2016				
June 30, 2016	**67,455**	**4,965**	**0.22**	**0.21**
March 31, 2016	70,467	4,341	0.19	0.19
2015				
December 31, 2015	73,576	3,731	0.16	0.16
September 30, 2015	77,513	4,036	0.18	0.17
June 30, 2015	76,964	2,378	0.10	0.10
March 31, 2015	76,856	3,180	0.14	0.14
2014				
December 31, 2014	78,043	3,603	0.16	0.16
September 30, 2014	74,219	3,861	0.17	0.17

Items impacting comparability of quarters

- The fourth quarter of 2015 was impacted by acquisition costs related to IRT of $66 and restructuring costs of $383.
- The third quarter of 2015 was impacted by acquisition costs related to IRT of $735 and restructuring costs of $751.
- The second quarter of 2015 was impacted by increased share-based compensation expense of $4,099 and acquisition costs of $503 related to IRT.
- The first quarter of 2015 was impacted by increased share-based compensation expense of $1,920 and acquisition costs of $205.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company expects to fund its 2016 operating cash requirements, including required working capital investments, capital expenditures and scheduled debt repayments from cash on hand, cash flow from operations and its committed borrowing facilities. The Company's operating revolving loan facility provides financing up to $60 million (2015: $60 million). No amount was drawn against this facility at June 30, 2016.

In the six month period ended June 30, 2016, $12,493 of cash was provided by operations, (2015: $9,749), $2,355 (2015: $3,094) was used for investing activities and $4,191 (2015: $4,736) was used in financing activities. Cash and cash equivalents increased by $5,947 from $11,961 to $17,882 adjusted for the effect of exchange rate fluctuations on cash held.

Operating activities

For the six month period ended June 30, 2016, cash provided by operating activities increased 28.1% to $12,493 compared to the same period in 2016. The increase was due to higher net income of $3,748 principally due to a decrease in share-based compensation expense in 2016 compared to the same period last year. In addition cash used for working capital decreased to $3,123 (2015: $5,980) as a result of the following factors:

- Accounts receivable increased by $866, of which $1,702 is attributable to Rubber Compounding as a result of timing and certain extended credit terms, which was partly offset by decreases in Engineered Products of $650 related to timing of collection of receivables;
- Inventory decreased by $4,274 of which $2,932 decreased at Rubber Compounding due to timing of purchase deliveries and lower raw material costs, and by $1,155 at Automotive reflecting management's focus on inventory management initiatives. In addition, Engineered Products' inventory decreased by $187;
- Prepaid expenses decreased $193, reflecting lower prepayments (mainly by Engineered Products) compared to the prior year; and
- Accounts payable decreased $6,724 principally due to lower raw material purchases in-line with decreased inventory levels and timing of certain payments.

Investing Activities

Property, Plant and Equipment

For the six month period ended June 30, 2016, the following investments were made in the segment:

- Rubber Compounding invested $71 in Scotland Neck towards cost savings initiatives and $15 towards sustaining capital. In Kitchener, Rubber Compounding invested $48 in purchasing new machinery for growth and to support health and safety efforts, and $1,188 to replace capital and machinery equipment;
- Engineered Products invested $680 in property, plant and equipment. Of this, $286 was invested in growth support initiatives, $251 to replace industrial machinery and equipment, and $143 for equipment upgrades for health and safety, and cost savings efforts. In 2016, Engineered Products capital investment was offset by a reduction in capital assets of $125 in respect of provincial tax credits; and
- Automotive invested $839 to purchase machinery and equipment for growth initiatives, $259 to replace existing machinery and automate machinery for cost savings, and $189 to support electrical upgrades and heater conversion for health and safety.

Financing activities

In the third quarter of 2015, the Company borrowed an additional $38,000 pursuant to a new term loan under its existing debt facilities to finance the acquisition of IRT. The $38,000 term loan bore interest at LIBOR plus applicable margins from 150 to 250 basis points depending on the leverage ratio, with interest and principal payments due quarterly and maturing October 18, 2018.

In the fourth quarter of 2015, the Company amended its senior secured credit facilities to, among other things, increase the availability to approximately $138,000, extend the maturity of the facilities and increase flexibility under the governing credit agreement to support future growth opportunities.

The aggregate availability under the Company's credit facilities is now approximately $138,000, comprised of an increased $60,000 revolving facility, a term loan of $75,000 (consolidating the two prior outstanding acquisition financing loans with interest at LIBOR plus applicable margins from 175 to 275 basis points, depending on covenants), a term loan of C$4,300 (unchanged from the prior facility) and an accordion feature of up to an additional $50,000 of availability, upon the satisfaction of customary conditions for such features. The maturity dates of the revolving credit facility and the US$ term loan were extended from October 2018 to December 2020, while the maturity date of the C$ term loan remains at October 2018.

The revolving facility consists of a $30,000 Revolving Credit facility and a $30,000 equivalent Canadian Revolving Credit Facility. $60,000 of this facility was unused as at June 30, 2016 and December 31, 2015.

During the quarter, the required principal repayments of $1,002 (2015: $1,325) were made pursuant to the term loan agreement.

The Company paid dividends of $1,066 during the quarter (2015: $1,086) and $2,065 year-to-date (2015: $2,078).

Government assistance

During the second quarter of 2016, Rubber Compounding recognized grants of $17 (2015: $2),year-to-date $34 (2015: $273); Engineered Products recognized grants of $7 (2015: $110);year-to-date $53 (2015: $273) and Automotive recognized grants of $nil (2015: $nil); year-to-date $4 (2015: $nil), to support certain initiatives which were offset against expenses.

Scientific research and investment tax credits of $29 (2015: $99) were recognized in the quarter; year-to-date $62 (2015: $149), research and development costs were reduced accordingly. In addition $125 (2015: $213); year-to-date $125 (2015: $213) was recognized as a reduction to capital assets in respect of provincial tax credits.

Dividends

A quarterly dividend of $0.06 per share was declared on March 15, 2016 and paid April 14, 2016; a $0.065 per share quarterly dividend was declared in the second quarter and paid July 14, 2016. Total dividends declared during the year ended 2015 were $0.24 per common share.

Outstanding shares

As at August 9, 2016 the Company had 23,074,183 common shares outstanding.

TRANSACTIONS WITH RELATED PARTIES

Included in the operating lease commitments was a rental agreement for corporate office space between the Company and a company controlled by the Chairman of the Company. The monthly lease rate approximates fair market rental value. During the second quarter of 2016, the Company paid rent for the corporate office of $35 (2015: $36); year-to-date $68 (2015: $73).

During the second quarter of 2016, the Company paid fees for the use of a facility in South Carolina of approximately $6 (2015: $5); year-to-date $11 (2015: $11) to a company in which the Chairman is an officer.

In addition, during the second quarter of 2016, Automotive paid rent of $293 (2015: $263); year-to date $585 (2015: $525) to a company controlled by the President of Automotive for its office and manufacturing facilities. The monthly lease rate approximates fair market rental value. The lease provides for monthly payments equivalent to an annual rental of $1,170 and expires in 2019.

In April 2014, the Company invested $550 in the form of a convertible promissory note in a company of which the Deputy Chairman of the Company is the chairman. This note can be converted to an equity interest under the following conditions: (1) if the company has completed "qualified financing" raising $1 million in gross proceeds (excluding the Company's loan); (2) if no "qualified financing" takes place prior to the maturity date, the Company has the option to convert into common stock within 60 days prior to the maturity date of the note. In 2016, the Company agreed to amend the terms of the promissory note to increase the interest rate of the loan to 15% per annum and extend the maturity date to April 11, 2017, at which time the principal and accrued interest on the note will be due and payable unless the note is converted or the loan is prepaid at an earlier date.

During the second quarter of 2016, interest income on this convertible promissory note of $nil (2015: $11); year-to-date $nil (2015: $22) is recorded on the statement of financial position included in other assets and recorded on the statement of income as interest income.

The convertible promissory note is accounted for as a loan receivable with separation of the conversion options that represent embedded derivatives. The loan is initially recognized at its fair value by discounting future cash flows at market interest rate for similar financial debt without the conversion options and is subsequently measured at amortized costs. The embedded derivatives are accounted for at fair value, which is currently considered nominal.

During the fourth quarter of 2015, a full provision was recorded against accrued interest of $76 and the convertible promissory note was written down to $275 to recognize the other asset at its fair value.

During 2014, the Company provided share purchase loans of CAD $1,000 each to both the President and former Chief Financial Officer to purchase common shares of the Company. The promissory notes are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or November 24, 2019. The promissory notes bear interest at 1% annually with full recourse and interest is due and payable semi-annually. At June 30, 2016, 100,500 shares of the Company having a fair value of $1,095 were pledged as collateral. During the second quarter of 2016, the outstanding share purchase loan of $764 (CAD $1,000) was repaid in full by the former Chief Financial Officer. At June 30, 2016, the promissory notes of $775, including accrued interest of $8, was included in other assets. During the quarter, interest of $8 (2015: $9) was paid.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are provided in Note 3 to the annual consolidated financial statements for the year ended December 31, 2015 and have been applied consistently to all periods presented in these condensed consolidated financial statements.

The accounting policies have been applied consistently by entities within the group.

Accounting Standards adopted during the period

The Company implemented the amendments to IAS 1 "Presentation of Financial Statements", in the first quarter of 2016, with no significant impact on the Company's unaudited interim period condensed consolidated financial statements.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent quarter, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. During the year, management implemented and assessed internal controls and financial reporting at Immediate Response Technologies, LLC.

FINANCIAL INSTRUMENTS

Foreign exchange hedge

At June 30, 2016, the Company had contracts to sell US $6,477 in 2016 for CAD $9,000. The fair value of these contracts, representing a gain of $490 is recorded in the statement of financial position included in trade and other receivables, including derivatives and changes in fair value recorded on the statement of income as other income.

There were no forward contracts outstanding at December 31, 2015.

Interest rate swap

During 2014, the Company entered into an interest rate swap agreement for a notional amount of $22.5 million. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD LIBOR and the fixed rate of 0.98%. The swap agreement matures on February 27, 2017.

During the second quarter of 2016, the net interest expense of the swap agreement was $31 and $32 was paid; (2015: $44 and $45 was paid); year-to-date $63 and $65 was paid (2015: $91 and $106 was paid).

For the quarter ended June 30, 2016, the fair value of this agreement, representing a loss of $84, was recorded on the statement of financial position included in loans and borrowings and changes in fair value are recorded on the statement of income as finance costs.

For the period ended December 31, 2015, the fair value of this agreement, representing a loss of $73, was recorded on the statement of financial position included in loans and borrowings and changes in fair value are recorded on the statement of income as finance costs.

The Company has entered into this interest rate swap agreement in order to fix the interest rate on a portion of its term loan and it does not intend to hold for trading or speculation purposes.

OUTLOOK

Year-to-date results reflect the positive contribution of our operational improvements to financial performance, even as the Company continues to experience reduced demand from certain market segments at Rubber Compounding and Engineered Products. In particular, product mix improvements and cost reduction initiatives implemented at Rubber Compounding have resulted in improved profitability for the division over a period during which volume (expressed as pounds shipped) has decreased significantly.

For the remainder of the year, we anticipate performance at Automotive to be similar to that experienced year-to-date. At Rubber Compounding there is a solid pipeline of new customers expected to move from the trial stage to commercialization in the second half of the year. We expect the challenging conditions experienced by customers in the conveyor belt, mining and industrial market segments in that division and in the industrial products business of Engineered Products to persist into the second half of 2016. Within our defense business, we have started to make deliveries of our AMG gloves to the US Department of Defense and will deliver at an accelerated volume throughout the remainder of the year, however the timing of several future global tenders remains uncertain. Despite these headwinds, our disciplined approach to managing operations and our continuous improvement initiatives have driven, and will continue to drive, improved operational profitability across the Company. With a healthy balance sheet and the anticipated benefits from management's on-going efforts to expand and diversify its product lines, customer base and target market segments, AirBoss will be in an excellent position to serve its customers and to take advantage of growth opportunities as they arise as well as any recovery in demand from those markets and customers currently under pressure.

August 9, 2016

P.Gren Schoch
Chairman and Chief Executive Officer

Daniel Gagnon
Chief Financial Officer

Condensed Consolidated Statement of Financial Position

Unaudited

In thousands of US dollars	*Note*	**June 30, 2016**	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		**17,882**	11,961
Trade and other receivables, including derivatives	*5*	**44,448**	42,148
Prepaid expenses		**2,794**	2,969
Inventories	*6*	**31,931**	36,205
Current income taxes receivable		**1,021**	1,820
Other assets	*7*	**275**	275
Total current assets		**98,351**	95,378
Non-current assets			
Property, plant and equipment		**61,791**	62,092
Intangible assets		**55,965**	58,379
Other assets	*7*	**1,225**	1,890
Total non-current assets		**118,981**	122,361
Total assets		**217,332**	217,739
LIABILITIES			
Current liabilities			
Loans and borrowings	*8*	**4,092**	4,064
Trade and other payables, including derivatives		**25,191**	31,472
Employee benefits	*15*	**1,248**	1,143
Provisions	*10*	**20**	13
Total current liabilities		**30,551**	36,692
Non-current liabilities			
Loans and borrowings	*8*	**71,156**	72,858
Employee benefits	*15*	**538**	508
Provisions	*10*	**1,599**	1,348
Deferred income tax liabilities	*13*	**6,663**	6,799
Total non-current liabilities		**79,956**	81,513
Total liabilities		**110,507**	118,205
EQUITY			
Share capital	*11*	**37,826**	37,681
Contributed surplus	*11*	**1,697**	1,691
Retained earnings		**67,302**	60,162
Total equity		**106,825**	99,534
Total liabilities and equity		**217,332**	217,739

The notes on pages 17 to 26 are an integral part of these condensed consolidated financial statements.

On behalf of the Board

P.G. Schoch
Director

Robert L. McLeish
Director

Condensed Consolidated Statement of Profit and Comprehensive Income
Unaudited

For the three and six month periods ended June 30 *In thousands of US dollars*	Note	Three month 2016	Three month 2015	Six month 2016	Six month 2015
Net sales		**67,455**	76,964	**137,922**	153,820
Cost of sales		**(54,382)**	(62,579)	**(111,685)**	(126,954)
Gross profit		**13,073**	14,385	**26,237**	26,866
General and administrative expenses		**(4,545)**	(8,555)	**(9,454)**	(14,790)
Selling and marketing expenses		**(1,476)**	(1,248)	**(2,914)**	(2,511)
Research and development expenses	*14*	**(788)**	(523)	**(1,398)**	(1,006)
Other income (expense)		**27**	(346)	**475**	43
Operating Expenses		**(6,782)**	(10,672)	**(13,291)**	(18,264)
Results from operating activities		**6,291**	3,713	**12,946**	8,602
Finance costs	*8,15*	**(633)**	(406)	**(1,507)**	(916)
Profit before income tax		**5,658**	3,307	**11,439**	7,686
Income tax expense	*13*	**(693)**	(929)	**(2,133)**	(2,128)
Profit and total comprehensive income for the period		**4,965**	2,378	**9,306**	5,558
Earnings per share					
Basic	*12*	**0.22**	0.10	**0.40**	0.24
Diluted	*12*	**0.21**	0.10	**0.39**	0.24

The notes on pages 17 to 26 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

Unaudited

	Attributable to equity holders of the Company			
In thousands of US dollars	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance at January 1, 2015	37,784	1,074	51,177	90,035
Profit and total comprehensive income for the period	-	-	5,558	5,558
Contributions by and distributions to owners				
Stock options expensed	-	354	-	354
Dividends to equity holders	-	-	(2,213)	(2,213)
Total contributions by and distributions to owners	-	354	(2,213)	(1,859)
Balance at June 30, 2015	37,784	1,428	54,522	93,734
Balance at January 1, 2016	37,681	1,691	60,162	99,534
Profit and total comprehensive income for the period	-	-	9,306	9,306
Contributions by and distributions to owners				
Stock options expensed	-	206	-	206
Share options exercised	67	(200)	-	(133)
Share awards vested	78	-	-	78
Dividends to equity holders	-	-	(2,166)	(2,166)
Total contributions by and distributions to owners	145	6	(2,166)	(2,015)
Balance at June 30, 2016	37,826	1,697	67,302	106,825

The notes on pages 17 to 26 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

Unaudited

For the six month period ended June 30 *In thousands of US dollars*	*Note*	**2016**	2015
Cash flows from operating activities			
Profit for the six month period ended June 30		**9,306**	5,558
Adjustments for:			
Depreciation		**3,400**	3,216
Amortization of intangible assets		**1,711**	1,083
Loss on disposal of property, plant and equipment		**7**	11
Finance costs	*8,15*	**1,507**	916
Interest on other assets		**(8)**	(22)
Change in fair value of interest swaps		**11**	63
Unrealized foreign exchange gains		**(47)**	(395)
Share-based payment expense	*11*	**459**	6,019
Lease incentive		**(6)**	-
SRED tax credits		**(103)**	(149)
Current income tax expense	*13*	**2,284**	2,632
Deferred income tax expense	*13*	**(151)**	(504)
Post-retirement benefits expense	*15*	**(15)**	(16)
		18,355	18,412
Change in inventories		**4,274**	3,528
Change in trade and other receivables		**(866)**	(4,555)
Change in prepayments		**193**	(1,121)
Change in trade and other payables		**(6,724)**	(3,832)
Net change in non-cash or working capital balances		**(3,123)**	(5,980)
Interest paid		**(1,414)**	(823)
Income tax paid		**(1,325)**	(1,860)
Net cash provided by operating activities		**12,493**	9,749
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**64**	-
Acquisition of property, plant and equipment		**(3,170)**	(2,955)
Acquisition of intangible assets		**(21)**	(139)
Interest received on share purchase loan		**8**	-
Settlement of share purchase loan		**764**	-
Net cash used in investing activities		**(2,355)**	(3,094)
Cash flows from financing activities			
Repayment of borrowings		**(1,993)**	(2,658)
Tax paid on exercise of share options		**(133)**	-
Dividends paid	*11*	**(2,065)**	(2,078)
Net cash used in financing activities		**(4,191)**	(4,736)
Net increase in cash and cash equivalents		**5,947**	1,919
Cash and cash equivalents at January 1		**11,961**	13,139
Effect of exchange rate fluctuations on cash held		**(26)**	(36)
Cash and cash equivalents at June 30		**17,882**	15,022

The notes on pages 17 to 26 are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (“CFS”)

For the three month and six month periods ended June 30, 2016 and June 30, 2015
(Amounts in thousands of US dollars, except per share amounts, unless otherwise specified)

NOTE 1 REPORTING ENTITY

AirBoss of America Corp. (“the Company”) is a public company listed on the Toronto Stock Exchange, incorporated and domiciled in Ontario. The address of the Company’s registered office is 16441 Yonge Street, Newmarket, Ontario, Canada. The condensed consolidated financial statements of the Company as at and for the three month and six month periods ended June 30, 2016 comprise the Company and its subsidiaries (together referred to as the “Group” and separately as “Group entities”). The Group has operations in Canada and the US and is involved primarily in the manufacture of high quality rubber-based products to resource, military, automotive and industrial markets (see Note 16).

NOTE 2 BASIS OF PREPARATION

Statement of compliance

The condensed consolidated interim financial statements should be read in conjunction with the Company’s 2015 audited annual consolidated financial statements and accompanying notes.

The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements were authorized for issue by the Board of Directors on August 9, 2016.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are provided in Note 3 to the annual consolidated financial statements for the year ended December 31, 2015 and have been applied consistently to all periods presented in these condensed consolidated financial statements.

The accounting policies have been applied consistently by entities within the Group.

Accounting Standards adopted during the period

The Company implemented the amendments to IAS 1 “Presentation of Financial Statements”, in the first quarter of 2016, with no significant impact on the Company’s unaudited interim period condensed consolidated financial statements.

NOTE 4 ACQUISITION OF IMMEDIATE RESPONSE TECHNOLOGIES, LLC

On July 24, 2015, the Company, through its wholly-owned subsidiary AirBoss-Defense Inc., acquired all of the membership interests of Immediate Response Technologies, LLC ("IRT"), a privately-owned U.S. company that is a leading provider of personal protection and safety products for Chemical, Biological, Radiological, Nuclear ("CBRN") hazards, as well as communicable diseases and respiratory threats for the individual, First Responder, Medical, Military, Law Enforcement, Fire and Industrial communities.

The acquisition was made for initial cash consideration of $36,770, subject to final working capital adjustments of $921 recoverable, with the potential for additional earn-out payments in a combination of cash and equity having a maximum aggregate value of up to approximately $25,000, subject to the achievement of specific performance objectives over the 60 month period following the close of the transaction. The acquisition consideration and related expenses were financed with cash on hand and debt, with the Company utilizing a new $38,000 term loan under its existing debt facilities.

The acquisition of IRT by the Company is accounted for using the acquisition method of accounting, whereby, IRT's assets and liabilities are revalued to their fair value and any excess of the purchase price is recognized as goodwill.

Acquisition-related costs

The Company incurred acquisition-related costs of $1,308 on legal fees and due diligence costs and have been included in general and administrative expenses in 2015.

Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date.

(In thousands of US dollars)	
Consideration:	
Cash	36,770
Preliminary adjustments to working capital	(197)
Subsequent adjustments (Note 5)	(724)
Final adjustments to working capital	(921)
Total Consideration:	35,849
Fair value of assets acquired:	
Accounts receivable	1,012
Inventory	3,778
Prepaid expenses	953
Property and equipment	4,500
Customer relationships	12,250
Total Assets	22,493
Fair value of liabilities assumed:	
Accounts payable	(1,693)
Provisions	(278)
Total liabilities	(1,971)
Net assets acquired	20,522
Excess of purchase price over fair value of identifiable assets acquired, recognized as goodwill	15,327

The goodwill is attributable mainly to the skills and technical talent of IRT's work force, proprietary technology and the synergies expected to be achieved from integrating IRT into the Company's existing business. Elected values determined tax deductibility of goodwill.

NOTE 5 TRADE AND OTHER RECEIVABLES

In thousands of US dollars	**June 30, 2016**	December 31, 2015
Trade receivables	**43,041**	41,181
Less: allowance for doubtful accounts	**(184)**	(734)
	42,857	40,447
Other receivables	**1,591**	1,701
	44,448	42,148

Included in other receivables is an escrow adjustment of $724 related to the purchase of IRT. This was a subsequent adjustment to the preliminary working capital estimate (Note 4).

Impairment losses

The aging of trade receivables at the reporting date was:

	June 30,2016		December 31, 2015	
In thousands of US dollars	**Gross**	**Impairment**	Gross	Impairment
Within terms	**34,938**	**-**	33,055	-
Past due 0-30 days	**7,083**	**-**	5,576	-
Past due 31-120 days	**1,020**	**(184)**	2,550	(734)
	43,041	**(184)**	41,181	(734)

The continuity of the allowance for doubtful accounts was:

In thousands of US dollars	**June 30, 2016**	December 31, 2015
Balance at January 1	**(734)**	(254)
Impairment loss recognized	**(109)**	(876)
Collected	**173**	52
Revised estimate/write-off	**486**	344
Balance	**(184)**	(734)

NOTE 6 INVENTORIES

In thousands of US dollars	**June 30, 2016**	December 31, 2015
Raw materials and consumables	**21,705**	23,625
Work in progress	**2,799**	2,340
Finished goods	**7,890**	8,373
Inventory in transit	**790**	2,120
Other inventory	**-**	879
	33,184	37,337
Provisions	**(1,253)**	(1,132)
	31,931	36,205

An inventory charge of $121 (2015: $461) was included in cost of sales.

NOTE 7 OTHER ASSETS

In thousands of US dollars	Convertible promissory Note	Share purchase loan	10% equity investment	Other	Total
Balance at January 1, 2015	582	1,726	313	146	2,767
Accrued interest	44	16	-	-	60
Interest paid	-	(16)	-	-	(16)
Allowance for accrued interest	(76)	-	-	-	(76)
Writedown to fair value of convertible promissory note	(275)	-	-	-	(275)
Effect of movements in exchange rates	-	(279)	-	(16)	(295)
Balance at December 31, 2015	275	1,447	313	130	2,165
Accrued interest	-	8	-	-	8
Interest paid	-	(8)	-	-	(8)
Repayment of loan	-	(764)	-	-	(764)
Effect of movements in exchange rates	-	92	-	7	99
Subtotal at June 30, 2016	275	775	313	137	1,500
Less current portion	(275)	-	-	-	(275)
Balance at June 30, 2016	-	775	313	137	1,225

NOTE 8 LOANS AND BORROWINGS

The Company is not in default under, nor has it breached any terms, of its syndicated credit agreement relating to its revolving and term loan credit facilities.

During the second quarter of 2016, the Company accrued $481 and paid $935 interest expense on term loans under its syndicated credit facilities; year-to-date $1,146 and $1,274, respectively.

NOTE 9 DERIVATIVES NOT MEETING HEDGE ACCOUNTING CRITERIA

Foreign exchange hedge

At June 30, 2016, the Company had contracts to sell US $6,477 in 2016 for CAD $9,000. The fair value of these contracts, representing a gain of $490 is recorded in the statement of financial position included in trade and other receivables, including derivatives and changes in fair value recorded on the statement of income as other income.

There were no forward contracts outstanding at December 31, 2015.

Interest rate swap

During 2014, the Company entered into an interest rate swap agreement for a notional amount of $22.5 million. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD LIBOR and the fixed rate of 0.98%. The swap agreement matures on February 27, 2017.

During the second quarter of 2016, the net interest expense of the swap agreement was $31 and $32 was paid; (2015: $44 and $45 was paid); year-to-date $63 and $65 was paid (2015: $91 and $106 was paid).

For the quarter ended June 30, 2016, the fair value of this agreement, representing a loss of $84, was recorded on the statement of financial position included in loans and borrowings and changes in fair value are recorded on the statement of income as finance costs.

For the period ended December 31, 2015, the fair value of this agreement, representing a loss of $73, was recorded on the statement of financial position included in loans and borrowings and changes in fair value are recorded on the statement of income as finance costs.

The Company has entered into this interest rate swap agreement in order to fix the interest rate on a portion of its term loan and it does not intend to hold for trading or speculation purposes.

NOTE 10 PROVISIONS

In thousands of US dollars	Site restoration	Stock appreciation rights	Restricted stock units	Performance awards	Lease incentives	Total
Balance at January 1, 2015	86	2,956	194	-	-	3,236
Acquisitions (Note 4)	-	-	-	-	278	278
Provisions accrued during the year	-	4,577	921	-	-	5,498
Payments during the year	-	(6,709)	-	-	-	(6,709)
Foreign exchange	(14)	(824)	(104)	-	-	(942)
Balance at December 31, 2015	72	-	1,011	-	278	1,361
Provisions accrued during the period	-	-	160	15	(6)	169
Foreign exchange	5	-	84	-	-	89
Total	77	-	1,255	15	272	1,619
Less current principal due within one year	-	-	-	-	(20)	(20)
Non-current balance at June 30, 2016	77	-	1,255	15	252	1,599

No legal provisions are recognized at June 30, 2016 and December 31, 2015.

Stock Appreciation Rights Plan

During 2011, the Company established a stock appreciation rights plan ("SAR Plan") to reward select directors and employees and issued 609,000 stock appreciation rights thereunder. Since 2012, no stock appreciation rights were granted to any employees, officers, directors or advisors to the directors. The stock appreciation rights granted in 2011 vested on September 30, 2015 (539,000 rights) and November 13, 2015 (70,000 rights). During the fourth quarter of 2015, following the vesting date, cash payments were made to rights holders, net of tax withholdings, equal to the positive difference between the market price of the Company's common shares (defined under the SAR Plan as the trailing 10-day volume-weighted average price of the shares on the TSX) on the vesting date and the market price on the date of the grant.

As at December 31, 2015, no stock appreciation rights were outstanding. On September 30, 2015, 539,000 stock appreciation rights vested with a vesting date market price of CAD $20.2887, resulting in a cash payment of $5,996. On November 13, 2015, 70,000 stock appreciation rights vested with a vesting date market price of CAD $18.7036, resulting in a cash payment of $712.

The Company recognized $4,577 as employee costs for the year ended December 31, 2015, relating to the SAR Plan, as a result of the change in share price.

Restricted Stock Units

Pursuant to its 2015 Omnibus Incentive Plan ("Omnibus Plan") approved by shareholders in 2015, the Company has issued certain executives with an aggregate of 238,500 restricted stock units on the terms and conditions set out in the Omnibus Plan. Each restricted stock unit entitles the holder to receive on vesting, at the sole discretion of the Company, either one common share or a cash payment equal to the fair market value of a common share as of the vesting date. During the second quarter of 2016 and year-to-date, no new restricted stock units were issued. During 2015, 174,500 restricted stock units were issued. The restricted stock units vest three years following the grant date and have no performance requirements. During the second quarter of 2016, the Company recognized as employee costs $62 (2015: $442); year-to-date $160 (2015: $554) related to the plan.

Performance Awards

The Company has issued certain executives with an aggregate of 41,860 performance awards pursuant to the terms and conditions of the Omnibus Plan. Each performance award entitles the holder to receive on vesting a cash payment equal to the product of (a) the fair market value of a common share as of the vesting date and (b) a performance factor between 0.5 and 2.0, based on the level of achievement of predetermined performance objectives over the vesting period. During the second quarter of 2016, 10,000 and year-to-date 41,860 performance awards were issued. The performance awards vest three years following the grant date. During the second quarter of 2016, the Company recognized as employee costs $15; year-to-date $15 related to the plan.

Deferred Stock Units

The Company has issued deferred stock units ("DSUs") to certain directors pursuant to the terms and conditions of the Omnibus Plan. Each vested DSU entitles the holder to receive, on redemption, either: one common share; a cash payment equal to the fair market value of a common share as of the redemption date; or a combination of both cash and common shares, at the sole discretion of the Company. The redemption of a DSU occurs only following the termination of a holder's service as director and will occur on either: (a) a date selected by a recipient following the termination of their services as a director (which can be no earlier than 10 days, and no later than one year, after the service termination date); or (b) a date selected by the Company following the death of the recipient while still serving as director (which can be no later than 90 days following the death of the recipient). Under the terms of compensation for independent directors of the Company approved by the Compensation Committee and Board in 2016, commencing with the second quarter of 2016 and for each subsequent quarter while he or she remains a director, each independent director is to be granted a number of DSUs having a fair market value equal to CAD $6,250. The fair market value of each DSU is equal to the volume-weighted average trading price of a Common Share on the TSX for the 5 trading days preceding the relevant grant date. In addition to this fixed amount of DSUs, independent directors are able to elect to be paid all or a portion of all other director's fees in DSUs in lieu of cash, using the same calculation of fair market value as for the fixed amount of DSUs, to be granted on a quarterly basis. All DSUs issued to independent directors vest three months following the relevant grant date. The compensation expense is accrued over the vesting period with a corresponding increase in liabilities in the amount which represents the fair value of the amount payable to the independent director in respect of the DSUs. At June 30, 2016, independent directors were granted an aggregate of 3,042 DSUs with a fair value of $33. During 2015, no DSUs were issued. At June 30, 2016, the Company recognized as employee costs both in the second quarter and year-to-date $nil related to DSUs issued under the Omnibus Plan.

NOTE 11 CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital and Contributed Surplus

Issued share capital is as follows:

In thousands of shares	**June 30, 2016**	June 30, 2015	December 31, 2015
January 1	**23,022**	22,999	22,999
Exercise of share options	**46**	-	23
Share awards	**6**	-	-
Balance	**23,074**	22,999	23,022

Issuance of common shares

During the second quarter of 2016, 25,000 options (2015: nil) were exercised on a cash-less basis for 11,397 shares (2015: nil). Year-to-date 2016, 100,000 options (2015: nil) were exercised on a cash-less basis for 45,994 shares (2015: nil).

On March 30, 2016 the Company issued certain executives with an aggregate of 6,339 share awards pursuant to the terms and conditions of the Omnibus Plan. The share awards vested immediately, with each recipient entitled to receive one common share for each share award within 30 days. During the second quarter of 2016, the Company recognized as employee costs $nil (2015: $nil), year-to-date $78 (2015: $nil) related to these awards.

Capital and other components of equity

Contributed surplus

Contributed surplus is comprised of the difference between the book value per share and the purchase price paid for shares acquired for cancellation by the Company and stock-based compensation of employees and non-employees.

Share options outstanding as at June 30

	2016	2015
Share options granted and outstanding	**1,006,400**	1,048,000

Inputs for measurement of grant date fair values

The grant date fair value of all options was measured based on the Black-Scholes model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Fair value of share options and assumptions

In Canadian dollars	**March 30, 2016**	December 30, 2015	March 30, 2015
Fair value at grant date	**$3.60**	$4.70	$4.12
Share price at grant date	**15.25**	17.53	15.46
Exercise price	**16.69**	17.86	15.40
Expected volatility (weighted average volatility)	**34.6%**	35.0%	34.6%
Option life (expected weighted average life)	**5 years**	5 years	5 years
Expected dividends	**1.57%**	1.37%	1.55%
Risk-free interest rate (based on government bonds)	**0.66%**	0.74%	0.73%

Stock option expense

During the period, the Company recognized as employee costs $125 (2015: $192); year-to-date $206 (2015: $354) relating to option grants in general and administrative expenses of the statement of income.

Dividends

Dividends on common shares were paid to shareholders of record quarterly in 2016 and in 2015 as follows:

	2016		2015	
Shareholder of record at:	**$CAD/share**	**Date Paid**	$CAD/share	Date Paid
June 30, 2016	**0.065**	**July 14, 2016**	0.06	July 16, 2015
March 31, 2016	**0.06**	**April 14, 2016**	0.06	April 16, 2015

The dividend payable at June 30, 2016 was $1,161 (2015: $1,102).

NOTE 12 EARNINGS PER SHARE

The following table sets forth the calculation of basic and diluted earnings per share:

For the three and six month periods ended June 30 *In thousands of US dollars, except share amounts outstanding, per share amounts in US dollars*	Three month		Six month	
	2016	2015	**2016**	2015
Numerator for basic and diluted earnings per share:				
Net income	**4,965**	2,378	**9,306**	5,558
Denominator for basic and diluted earnings per share:				
Basic weighted average number of shares outstanding	**23,067**	22,999	**23,049**	22,999
Dilution effect of stock options	**369**	543	**399**	496
Dilution effect of restricted share units	**126**	-	**126**	-
Diluted weighted average number of shares outstanding	**23,562**	23,542	**23,574**	23,495
Net income per share:				
Basic	**0.22**	0.10	**0.40**	0.24
Diluted	**0.21**	0.10	**0.39**	0.24

For the six month period ended June 30, 2016,126,400 options (2015: nil) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

NOTE 13 INCOME TAXES

For the three and six month periods ended June 30 *In thousands of US dollars*	Three month		Six month	
	2016	2015	**2016**	2015
Current tax expense:				
Current period	**967**	1,470	**2,244**	2,650
Adjustment for prior period	**22**	(18)	**40**	(18)
	989	1,452	**2,284**	2,632
Deferred tax expense:				
Origination and reversal of temporary differences	**(33)**	(504)	**112**	(485)
Adjustment for prior periods	**(263)**	(19)	**(263)**	(19)
	(296)	(523)	**(151)**	(504)
Total income tax expense	**693**	929	**2,133**	2,128

NOTE 14 GOVERNMENT ASSISTANCE

During the second quarter of 2016, Rubber Compounding recognized grants of $17 (2015: $2); year-to-date $34 (2015: $273); Engineered Products recognized grants of $7 (2015: $110); year-to-date $53 (2015: $273) and Automotive recognized grants of $nil (2015: $nil); year-to-date $4 (2015: $nil), to support certain initiatives which were offset against expenses.

Scientific research and investment tax credits of $29 (2015: $99) were recognized in the quarter; year-to-date $62 (2015: $149), research and development costs were reduced accordingly. In addition $125 (2015: $213); year-to-date $125 (2015: $213) was recognized as a reduction to capital assets in respect of provincial tax credits.

NOTE 15 POST RETIREMENT BENEFITS

June 30 *In thousands of US dollars*	Executive Supplemental Plan **2016**	2015	Other benefit plan **2016**	2015
The amounts recognized in the income statement are as follows:				
Post-retirement benefits expense (recovery)	**-**	-	**(15)**	(16)
Interest cost	**22**	22	**9**	10
Exchange differences	**83**	(89)	**36**	(45)
Expense (recovery)	**105**	(67)	**30**	(51)

The current service charge was included in general and administrative expense and the interest cost is included in finance costs and exchange differences in other income (expense) in the income statement.

Defined Contribution Plan

AirBoss Flexible Products Co. ("Flexible") maintains a 401(k) defined contribution plan sponsored by Flexible for all of their employees not covered by collective bargaining agreements. Total estimated contribution to this plan for 2016 is $260. For the quarter ended June 30, 2016, the expense for this plan was $177; year-to-date $275.

AirBoss Rubber Compounding (NC) Inc. maintains a 401(k) plan for all of its employees. Total estimated contributions to this plan for the fiscal year is $14. For the quarter ended June 30, 2016, the expense for this plan was $4; year-to-date $7.

Previously, IRT maintained a 401(k) defined contribution plan for its employees. Eligible employees were able to invest pre-tax contributions up to the Internal Revenue Service maximum limits, into selected investment funds maintained and managed by third-party investment companies. IRT did not provide a matching contribution and terminated this 401(k) plan on October 29, 2015.

Multi-Employer Pension Plan

Flexible contributes to the Steel Workers Pension Trust, a multi-employer defined benefit pension plan under the terms of collective-bargaining agreements that cover its union-represented employees in the State of Michigan. The risks of participating in a multi-employer plan are different from participation in a single-employer plan in the following aspects:

(a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

(b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

(c) If the Group chooses to stop participating in the multi-employer plan, the Group may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

During the quarter, the Company made contributions of $72 (2015: $71); year-to-date $141 (2015: $130) to the multi-employer pension plan. The unfunded vested benefit ratio was 45.89% at December 31, 2015 (2014: 46.38%). The Steel Workers Pension Trust was in a net deficit at December 31, 2015 and the Company's portion of the deficit was unknown. The collective bargaining agreements that require contributions to the multi-employer plan are set to expire December 31, 2017. The collective bargaining agreement requires that the Group contributes $0.40 for each hour worked by eligible employees during the preceding wage month. Total estimated contribution to this plan for the fiscal year is $285.

NOTE 16 SEGMENTED INFORMATION

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Rubber Compounding. Includes manufacturing and distribution of rubber compounds and distribution of rubber compounding related chemicals.
- Engineered Products. Includes the manufacture and distribution of personal protection and safety products primarily for CBRN hazards and semi-finished rubber related products.
- Automotive. Includes the manufacture and distribution of anti-vibration and noise dampening automotive parts.
- Corporate. Includes corporate activities and certain unallocated costs.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO/Chairman and President. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Transfer pricing is based on third-party rates.

Inter-company amounts, which represent items purchased from different segments, have been presented within the segment disclosure and are eliminated to arrive at the consolidated amounts.

The Company operates primarily within North America with respect to its rubber compound and automotive products and globally with respect to its rubber protective products and has production facilities in Canada and the United States.

Information about reportable segments Three months ended June 30	Rubber Compounding		Engineered Products		Automotive		Unallocated Corporate Costs		Total	
In thousands of US dollars	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment net sales	**24,749**	35,682	**11,803**	12,034	**36,808**	36,011	**-**	-	**73,360**	83,727
Inter-segment sales	**(5,521)**	(6,256)	**(384)**	(507)	**-**	-	**-**	-	**(5,905)**	(6,763)
External net sales	**19,228**	29,426	**11,419**	11,527	**36,808**	36,011	**-**	-	**67,455**	76,964
Depreciation and amortization includes loss on disposal of property, plant and equipment	**842**	887	**880**	515	**810**	719	**11**	9	**2,543**	2,130
Finance cost	**1,201**	682	**2**	(6)	**-**	-	**(570)**	(270)	**633**	406
Reportable segment profit before income tax	**1,991**	3,972	**(239)**	783	**4,199**	3,543	**(293)**	(4,991)	**5,658**	3,307
Income tax expense/recovery	**(932)**	(2,124)	**(344)**	(211)	**85**	(96)	**498**	1,502	**(693)**	(929)
Net income (loss)	**1,059**	1,848	**(583)**	572	**4,285**	3,448	**204**	(3,490)	**4,965**	2,378
Reportable segment assets[1]	**59,536**	68,127	**71,303**	36,979	**71,217**	70,690	**15,276**	15,049	**217,332**	190,845
Reportable segment liabilities[1]	**9,981**	16,510	**6,310**	7,421	**11,483**	11,920	**82,733**	61,260	**110,507**	97,111
Capital expenditures[2]	**97**	594	**211**	455	**186**	812	**-**	7	**494**	1,868

[1] Comparative figures as at December 31, 2015
[2] Comparative figures as at June 30, 2015.

Information about reportable segments Six months ended June 30	Rubber Compounding		Engineered Products		Automotive		Unallocated Corporate Costs		Total	
In thousands of US dollars	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment net sales	**53,046**	73,843	**23,299**	23,983	**73,892**	69,818	**-**	-	**150,237**	167,644
Inter-segment sales	**(11,568)**	(12,510)	**(747)**	(1,314)	**-**	-	**-**	-	**(12,315)**	(13,824)
External net sales	**41,478**	61,333	**22,552**	22,669	**73,892**	69,818	**-**	-	**137,922**	153,820
Depreciation and amortization includes loss on disposal of property, plant and equipment	**1,733**	1,773	**1,763**	1,095	**1,599**	1,414	**23**	17	**5,118**	4,299
Finance cost	**2,350**	1,360	**6**	(2)	**-**	-	**(849)**	(442)	**1,507**	916
Reportable segment profit before income tax	**4,669**	6,312	**(952)**	1,328	**8,003**	6,697	**(281)**	(6,651)	**11,439**	7,686
Income tax expense/recovery	**(2,231)**	(3,648)	**(415)**	(380)	**(369)**	(286)	**882**	2,186	**(2,133)**	(2,128)
Net income (loss)	**2,438**	2,663	**(1,367)**	947	**7,634**	6,411	**601**	(4,463)	**9,306**	5,558
Reportable segment assets[1]	**59,536**	68,127	**71,303**	36,979	**71,217**	70,690	**15,276**	15,049	**217,332**	190,845
Reportable segment liabilities[1]	**9,981**	16,510	**6,310**	7,421	**11,483**	11,920	**82,733**	61,260	**110,507**	97,111
Capital expenditures[2]	**1,322**	769	**555**	979	**1,287**	1,255	**27**	91	**3,191**	3,094

[1] Comparative figures as at December 31, 2015
[2] Comparative figures as at June 30, 2015.

Geographical segments

The Rubber Compounding, Engineered Products and Automotive segments operate manufacturing facilities and sales offices in the US and Canada, selling primarily in North American markets.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Non-current assets include property, plant and equipment, software, goodwill, future income taxes and other assets.

	Revenue		Revenue		Non-current assets		Non-current assets
	Three months ended June 30		Six months ended June 30		June 30		December 31, 2015
In thousands of US dollars	**2016**	2015	**2016**	2015	**2016**	2015	
Canada	**11,373**	15,751	**25,165**	30,946	**45,129**	43,437	46,285
United States	**52,881**	55,706	**106,079**	111,702	**73,852**	44,799	76,076
Other countries	**3,201**	5,507	**6,678**	11,172	**-**	-	-
	67,455	76,964	**137,922**	153,820	**118,981**	88,236	122,361

Major customers

Revenues from one customer represent approximately 10% (2015: 9%) of the Group's total revenue. Five customers represented 32% (2015: 33%) of the Company's total revenue.

Major Products

	Three months ended June 30		Six months ended June 30	
In thousands of US dollars	**2016**	2015	**2016**	2015
Rubber Compounding				
Tolling	**955**	1,597	**2,957**	2,881
Mixing	**18,274**	27,829	**38,522**	58,452
	19,229	29,426	**41,479**	61,333
AEP				
Industrial	**6,688**	6,143	**12,110**	12,213
Defense	**4,730**	5,384	**10,441**	10,456
	11,418	11,527	**22,551**	22,669
Automotive	**36,808**	36,011	**73,892**	69,818
Total	**67,455**	76,964	**137,922**	153,820

NOTE 17 RELATED PARTIES

Transactions with Related Parties

Included in the operating lease commitments was a rental agreement for corporate office space between the Company and a company controlled by the Chairman of the Company. The monthly lease rate approximates fair market rental value. During the second quarter of 2016, the Company paid rent for the corporate office of $35 (2015: $36); year-to-date $68 (2015: $73).

During the second quarter of 2016, the Company paid fees for the use of a facility in South Carolina of approximately $6 (2015: $5); year-to-date $11 (2015: $11) to a company in which the Chairman is an officer.

In addition, during the second quarter of 2016, Automotive paid rent of $293 (2015: $263); year-to date $585 (2015: $525) to a company controlled by the President of Automotive for its office and manufacturing facilities. The monthly lease rate approximates fair market rental value. The lease provides for monthly payments equivalent to an annual rental of $1,170 and expires in 2019.

In April 2014, the Company invested $550 in the form of a convertible promissory note in a company of which the Deputy Chairman of the Company is the chairman. This note can be converted to an equity interest under the following conditions: (1) if the company has completed "qualified financing" raising $1 million in gross proceeds (excluding the Company's loan); (2) if no "qualified financing" takes place prior to the maturity date, the Company has the option to convert into common stock within 60 days prior to the maturity date of the note. In 2016, the Company agreed to amend the terms of the promissory note to increase the interest rate of the loan to 15% per annum and extend the maturity date to April 11, 2017, at which time the principal and accrued interest on the note will be due and payable unless the note is converted or the loan is prepaid at an earlier date.

During the second quarter of 2016, interest income on this convertible promissory note of $nil (2015: $11); year-to-date $nil (2015: $22) is recorded on the statement of financial position included in other assets and recorded on the statement of income as interest income.

The convertible promissory note is accounted for as a loan receivable with separation of the conversion options that represent embedded derivatives. The loan is initially recognized at its fair value by discounting future cash flows at market interest rate for similar financial debt without the conversion options and is subsequently measured at amortized costs. The embedded derivatives are accounted for at fair value, which is currently considered nominal.

During the fourth quarter of 2015, a full provision was recorded against accrued interest of $76 and the convertible promissory note was written down to $275 to recognize the other asset at its fair value.

During 2014, the Company provided share purchase loans of CAD $1,000 each to both the President and former Chief Financial Officer to purchase common shares of the Company. The promissory notes are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or November 24, 2019. The promissory notes bear interest at 1% annually with full recourse and interest is due and payable semi-annually. At June 30, 2016, 100,500 shares of the Company having a fair value of $1,095 were pledged as collateral. During the second quarter of 2016, the outstanding share purchase loan of $764 (CAD $1,000) was repaid in full by the former Chief Financial Officer. At June 30, 2016, the promissory notes of $775, including accrued interest of $8, were included in other assets. During the quarter, interest of $8 (2015: $9) was paid.

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